

CLARATTI GROUP LIMITED
FINANCIAL REPORT
30 JUNE 2022

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CORPORATE DIRECTORY

Directors

Mr. Doug Childress (Executive Chairman)
 Mr. Chuck Bartle (Non-Executive Director)
 Mr. Craig Pentland (Non-Executive Director)

Company Secretary

Mr. Craig Pentland

Principle Place of Business/Registered Office

Unit 2, 36 Irvine Drive
 Malaga, WA 6090
 Telephone: 1300 073 085
 Email: doug.childress@claratti.com
 Website: www.claratti.com

Share Registry

4C Advisory
 Suite 5, 145 Walcott Street
 Mount Lawley, WA 6050
 Telephone: + 61 8 9272 4019
 Email: info@4cadvisory.com.au

Auditors

DM Advisory Services
 3/35 Tamara Drive,
 Cockburn Central, WA 6122

DIRECTORS' REPORT

The Directors present their report for Claratti Group Limited and its subsidiaries ("Claratti" or "the Group") for the year ended 30 June 2022.

DIRECTORS

The names, qualifications, and experience of the Group's Directors in office at any time during the year are as follows. Directors were in office for this entire year unless otherwise stated.

MR. DOUG CHILDRESS (Appointed 29 June 2020)

Executive Chairman

Mr. Childress is an experienced company director with over 36 years' experience as an IT & Telecommunications specialist, having spent his past 25 years as Chairman and Chief Executive Officer.

Mr. Childress is currently a director of Intelligent IP Hosting Pty Ltd (appointed 17 May 2017)

Mr. Childress was previously a director of Intelligent IP Communications Pty Ltd (appointed 1 September 2005). He has not held any other listed directorships in the past three years.

MR. CHUCK BARTLE (Appointed 29 June 2020)

Director

Mr. Bartle is an experienced company director with over 25 years' experience within the mining and technology sectors.

Mr. Bartle is currently a director of:

Taplan Pty Ltd (appointed 23 January 1996)

Beta Investments (1993) Pty Ltd (appointed 27 June 1996)

Intelligent IP Hosting Pty Ltd (appointed 26 May 2017)

Mining Projects Management Group Pty Ltd (appointed 22 May 2017)

Design Works Pty Ltd (appointed 23 April 1996)

Mr. Bartle was previously a director of Intelligent IP Communications Pty Ltd (appointed 1 September 2006, resigned 13 September 2013) and Margosa Graphite Ltd. He has not held any other listed directorships in the past three years.

MR. CRAIG PENTLAND (Appointed 29 June 2020)

Director & Company Secretary

Mr. Pentland is an experienced company director with over 24 years' experience working within the Public accounting industry. He is a Chartered Accountant, Certified Practising Accountant, Chartered Tax Adviser and holds an MBA.

Mr. Pentland is currently a director of 4C Consulting Pty Ltd, a boutique chartered accounting practice (appointed 10 May 2011).

Mr. Pentland is a director of Margosa Graphite Ltd, a publicly unlisted graphite resource company and CGS Australia Ltd, a publicly unlisted silica quartz resource company. He has not held any other listed directorships in the past three years.

INTERESTS IN THE SECURITIES OF THE GROUP

As at the date of this report, the interests of the Directors in the securities of Claratti Group Limited are:

Director	Ordinary Shares
Mr. Doug Childress	3,971,172
Mr. Chuck Bartle	2,764,614
Mr. Craig Pentland	20,000

RESULTS OF OPERATIONS

The Group's net profit after taxation attributable to the members of Claratti Group Limited for the year ended 30 June 2022 was \$520,297 (2021: \$1,223,160).

DIVIDENDS

No dividend was paid or declared by the Group during the year and up to the date of this report (2021: Nil).

CORPORATE STRUCTURE

Claratti Group Limited is a company limited by shares which is incorporated and domiciled in Australia, which wholly owns Intelligent IP Hosting, Storm IS Pty Ltd and Commulynx Pty Ltd (known this point further as "Claratti or "Group").

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activities of companies within the Group during the financial year were the development of telecommunications, managed IT and cloud-based services and the related sales of this technology.

REVIEW OF OPERATIONS

I am pleased to report Claratti has once again, delivered a significant revenue growth event (up 26%) and increased its billable clients from 188 to 200 (up 6.4%), since 1 July 2021 delivering \$4m in combined Group revenues. The reduction in the group's operating profit was mainly driven by a reduced R & D claim for 2022 Whilst related expenses continued and the cessation of most government assistance relating to COVID 19 in 2022 compared to 2021. The key considerations are:

- a) we have one sales rep; and
- b) have spent virtually no money on external marketing.

The Directors are confident the company can accelerate its growth significantly with further funding/investments.

The Directors are confident the Group will continue as a going concern and believe there will be significant future growth in the business by way continued acquisitions, partner channel growth and strategic alliances.

CORPORATE

During the financial year, the Group managed to achieve the following significant outcomes:

1. Averaging 40 new orders per month (p.a.)
2. Organic recurring monthly revenue grew by 14.6% July 21 \$158k vs \$181k June 22
3. All inbound sales from 26% of existing 217 billed clients
4. Designed, constructed, shipped 1st ever 4G, Satellite & Microwave ready container-based Data Centre to the Insig Technologies on behalf of RUC Mining to the Tanami Dessert, currently generating \$7k per month plus. Claratti staff were NOT deployed to site and the unit was commissioned by the client with in-built GPS tracking. Claratti were the 1st vendor to deliver on time and within budget.
5. Claratti secures new 3-year agreement with Maritime Union Australia (MUA) to continue to provide IT Consulting and support services. The client was inherited from the Commulynx acquisition and has been a client for more than 11 years.
6. Claratti renews its ISO-27001:2013 accreditation for the 3rd year in a row. This provides significant clout to Claratti's ability to a) be a licensed carrier holding such an accreditation and b) a demonstration of the company's ability to deliver solutions which are cyber-safe and compliant to ISO27001 standards.
7. Claratti Telecom Technologies India Private Limited entity and bank account (only) has been established with a view of expanding Claratti's commercial offering into India within the next 18 to 24 months. More information will follow as this opportunity eventuates.
8. Claratti SA (South Africa) has also been established as a local entity with a bank account (only) with a view of also expanding Claratti's commercial offering into the Africa's. More information will also follow as the opportunity eventuates.

IMPACT OF COVID-19

On 31 January 2020, the World Health Organisation ('WHO') announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (COVID-19 outbreak) and the risks to the international community as the virus spread globally beyond its point of origin. Because of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic.

The full impact of the COVID-19 outbreak continues to evolve at the date of this report. Management is actively monitoring the global situation and its impact on the Group's financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Group continues to monitor the situation very closely, with a primary focus on the health, wellbeing, and safety of all employees in Australia. The Group has implemented extensive business continuity procedures to ensure ongoing operations with minimal disruptions. To date there has been minimal impact to the Group.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than noted above, in the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Other than noted above, in the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

In the opinion of the Directors, there is nothing else to report, except as outlined in the Directors' Report, which relates to likely developments in the operations of the Group and the expected results of those operations in financial years subsequent to 30 June 2022.

ENVIRONMENTAL REGULATIONS AND PERFORMANCE

The Group has formal procedures in place to ensure regulations are adhered to. The Group is not aware of any breaches in relation to environmental matters.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Group has made an agreement indemnifying all the Directors and officers of the Group against certain losses or liabilities incurred by each Director or officer in their capacity as Directors or officers of the Group to the extent permitted by the Corporation Act 2001. The indemnification specifically excludes willful acts of negligence and insolvency. The total amount of insurance premiums paid has not been disclosed due to confidentiality reasons.

DIRECTORS' MEETINGS

During the financial year, in addition to regular Board discussions, the number of meetings of directors held during the year and the number of meetings attended by each director were as follows:

Director	Number of Meetings Eligible to Attend	Number of Meetings Attended
Mr. Doug Childress	8	8
Mr. Craig Pentland	8	8
Mr. Chuck Bartle	8	8

In addition to the formal meetings of directors above, the Board has held numerous discussions throughout the year and passed circular resolutions on all material matters.

PROCEEDINGS ON BEHALF OF GROUP

No person has applied for leave of court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.


CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behavior and accountability, the Board supports and have adhered to the principles of sound corporate governance. During the financial year ended, shareholders continued to receive the benefit of an efficient and cost-effective corporate governance policy for the Group.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Section 307C of the Corporations Act 2001 requires the Group's auditors to provide the Board with an Independence Declaration in relation to the audit of the full year financial statements. A copy of that declaration is included in this report. There were no non audit services provided by the Group's auditor during the year ended 30 June 2022.

Signed on behalf of the Board in accordance with a resolution of the Directors.

DocuSigned by:


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Mr. Doug Childress
Executive Chairman
7 November 2022
Perth, Western Australia

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2022

	Note	2022 \$	2021 \$
Continuing operations			
Sale	3	4,033,947	3,193,595
Cost of goods sold		(1,490,107)	(803,147)
Gross profit		2,543,840	2,390,448
Interest revenue		-	264
Other income	4	1,371,930	1,699,958
Expenses			
Accounting & Bookkeeping		(272,766)	(243,644)
Administration Fees		(140,192)	(146,483)
Advertising & Marketing		(66,508)	(23,765)
Bad Debts		(6,057)	(40,431)
Consultants' fees		(33,456)	(58,046)
Development Costs		(272,904)	(159,669)
Equipment Leasing Costs		(35,915)	(79,061)
Insurance		(45,525)	(44,353)
IT Costs		(136,414)	(134,936)
Rent & Outgoings		(64,209)	(26,664)
Wages & Salaries		(802,810)	(512,245)
Impairment of Receivable	8	-	(81,933)
Other Expenses	4	(56,571)	(14,071)
Profit from continuing operations before finance costs & income tax		1,982,443	2,525,369
Finance costs	5	(239,430)	(178,709)
Amortisation expense	11	(1,079,663)	(769,174)
Depreciation costs	10 & 15	(57,469)	(25,701)
Profit from continuing operations before income tax		605,881	1,551,785
Income tax expense	6	(85,584)	(328,625)
Profit from continuing operations for the year		520,297	1,223,160
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Asset revaluation reserve	19	353,696	-
Other comprehensive income for the year, net of tax		353,696	-
Total comprehensive profit for the year		873,993	1,223,160

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
as at 30 June 2022

	Note	2022 \$	2021 \$
Current Assets			
Cash and cash equivalents	7	24,631	25,345
Trade and other receivables	8	1,712,851	1,754,320
Other current assets	9	16,717	10,625
		1,754,199	1,790,290
Non-Current Assets			
Right of use assets	15	133,122	87,632
Property, plant & equipment	10	-	5,268
Platform Assets	11	13,044,194	10,961,728
Goodwill	12	465,000	265,000
Total Non-Current Assets		13,642,316	11,319,628
Total Assets		15,396,515	13,109,918
Current Liabilities			
Trade and other payables	13	3,147,698	2,146,851
Provisions	14	215,370	215,370
Lease liabilities	15	82,900	70,765
Convertible notes	16	487,031	451,945
Borrowings	17	1,718,871	1,045,443
Tax liabilities	6	-	321,605
Total Current Liabilities		5,651,870	4,251,979
Non-Current Liabilities			
Lease liabilities	15	101,221	61,148
Borrowings	17	890,275	514,613
Deferred tax liabilities	6	939,120	881,379
Total Non-Current Liabilities		1,930,616	1,457,139
Total Liabilities		7,582,486	5,709,118
Net Assets		7,814,029	7,400,800
Equity			
Issued capital	18	2,718,443	3,179,207
Reserves	19	3,154,514	2,800,818
Retained earnings	20	1,941,072	1,420,775
Total Equity		7,814,029	7,400,800

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

for the year ended 30 June 2022

	Note	2022 \$	2021 \$
Cash flows from operating activities			
Receipts from customers		5,447,347	5,204,437
Payments to suppliers and employees		(5,549,820)	(5,020,653)
Interest received		-	264
Finance costs		(239,430)	(178,709)
Net cash outflow from operating activities	7	(341,903)	5,339
Cash flows from investing activities			
Acquisition of Property, Plant & Equipment	10	-	6,959
Acquisition of Right-of-Use Asset	15	(92,422)	(87,632)
Acquisition of Intangibles		(200,000)	(1,170,086)
Net cash outflow from investing activities		(292,422)	(1,250,759)
Cash flows from financing activities			
Proceeds from issuance of shares		(460,764)	758,716
Proceeds from borrowings		1,084,176	353,786
Proceeds from lease liabilities		52,208	78,379
Borrowing costs		(2,399)	(82,369)
Net cash inflow from financing activities		633,611	1,108,512
Net decrease in cash held		(714)	(136,908)
Cash and cash equivalents at beginning of financial year		25,345	162,253
Cash and cash equivalents at end of the financial year	7	24,631	25,345

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
for the year ended 30 June 2022

	Issued Capital	Reserves	Retained Earnings / (Accumulated Losses)	Total
	\$	\$	\$	\$
Balance at 1 July 2021	3,179,207	2,800,818	1,420,774	7,400,799
Profit for the year	-	-	520,297	520,298
<i>Other comprehensive income</i>				
Asset revaluation reserve	-	353,696	-	353,696
Total comprehensive profit for the year	-	353,696	520,297	873,994
<i>Transactions with owners in their capacity as owners</i>				
Shares issued as part of placements	6,736	-	-	6,736
Share buy-back	(467,500)	-	-	(467,500)
Shares issued to acquire subsidiaries	-	-	-	-
Share issue costs	-	-	-	-
Balance at 30 June 2022	2,718,443	3,154,514	1,941,071	7,814,029
Balance at 1 July 2020	-	-	197,614	197,615
Profit for the year	-	-	1,223,160	1,223,160
<i>Other comprehensive income</i>				
Asset revaluation reserve	-	2,800,818	-	2,800,818
Total comprehensive profit for the year	-	2,800,818	1,223,160	4,704,697
<i>Transactions with owners in their capacity as owners</i>				
Shares issued as part of placements	3,179,207	-	-	3,179,207
Share issue costs	-	-	-	-
Balance at 30 June 2021	3,179,207	2,800,818	1,420,774	7,400,800

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Claratti Group Limited

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

1. Summary of Significant Accounting Policies

Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets, and financial liabilities.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, certain classes of property, plant and equipment and derivative financial instruments.

Presentation currency

The financial statements are presented in Australian dollars, which is Claratti Group Ltd's functional and presentation currency.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Claratti Group Ltd ('company' or parent entity') as at 30 June 2022 and the results of all subsidiaries for the year then ended. Claratti Group Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity' or 'Group'. A list of subsidiaries is provided in note 24.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances, and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and consolidated statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities, and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Critical accounting estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue, and expenses.

Claratti Group Limited

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Revenue from contracts with customers involving sale of goods

When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the Group is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

Performance obligations under AASB 15

To identify a performance obligation under AASB 15, the promise must be sufficiently specific to be able to determine when the obligation is satisfied. Management exercises judgement to determine whether the promise is sufficiently specific by taking into account any conditions specified in the arrangement, explicit or implicit, regarding the promised goods or services. In making this assessment, management includes the nature / type, cost / value, quantity, and the period of transfer related to the goods or services promised.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement, it is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 8, is calculated based on the information available at the time of preparation. The actual losses in future years may be higher or lower.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrance of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Deferred taxation

Under normal circumstances, the benefits of deferred tax losses not brought to account can only be realised in the future if:

- assessable income is derived of a nature, and of an amount sufficient to enable the benefit from the deductions to be realised
- conditions for deductibility imposed by law are complied with; and
- no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

Income tax

The Group is subject to income taxes in Australia. Significant judgement is required in determining the provisions for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Claratti Group Limited

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 31.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance as disclosed in to note 2.

Foreign currency translation

Foreign currency translations and foreign operations are translated into Australian dollars as follows:

Foreign currency transactions

Foreign currency transactions are translated into Australia dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Going concern assessment

The financial report has been prepared on a going concern basis, which assumes the consolidated entity will be able to realise its assets and discharge its liabilities in the normal course of business.

As at 30 June 2022, the consolidated entity has net assets of \$7,814,029 (2021: 7,400,800) and a working capital deficiency of \$2,527,121 (2021: \$2,461,689), and in the year then ended a profit of \$520,297 (2021: \$1,223,160) and net operating and investing cash outflows of \$292,422 (2021: \$1,245,420). As at 30 June 2022, the Group had cash and cash equivalents of \$24,631 (2021: \$25,345).

During the year ended 30 June 2022, management has mitigated the going concern risk as follows;

- Claratti Group Borrowed \$2,609,146.
- Management constantly monitored cash flow and reduced expenses and overhead.

In the next 12 months, any going concern risk can be further mitigated by reducing expenses and overheads and raising additional funding through capital raising or share placements. In addition to this, organic expansion and growth will be achieved by a number of significant agreements and contracts and management is confident in securing further funding from its key supporters.

The Directors have a reasonable expectation that the company will continue as a going concern, and therefore have adopted the going concern basis in preparing this financial report.

Revenue recognition

Under AASB 15, revenue recognition requires the application of 5 steps as follows:

- Step 1 - Identify the contract(s) with the customer
- Step 2 - Identify the performance obligations in the contract(s)
- Step 3 - Determine the transaction price
- Step 4 - Allocate the transaction price to the performance obligations
- Step 5 - Recognise revenue when a performance obligation is satisfied

The consolidated entity recognises revenues in accordance with these 5 steps as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The

Claratti Group Limited

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Revenue is recognised for the major business activities as follows:

(i) Software, subscription, and virtual products

For software, subscription and virtual products, the performance obligation is satisfied when access is facilitated.

(ii) Consulting, networking, security, and cloud services

Revenue from these business activities primarily consist of recurring monthly service fees and upfront project fees. Revenue from the provision of recurring monthly service fees is recognised in the accounting period in which the services are rendered. Project fees primarily comprise installation services relating to a customer's initial deployment. Where these are not considered to be distinct services, revenue is deferred and recognised over the term of the contract with the customer, taking into account renewal options that are held by the customer. Where the services are distinct, the revenue is recognised at a point in time where the Group has satisfied its performance obligations.

The Group applies the practical expedient in the revenue standard and does not disclose information about the transaction price allocated to remaining performance obligations on contracts that are unsatisfied, as the Group has the right to consideration from its customers in an amount that corresponds directly with the value to the customer of the Group's services to date. This is applied to all its data centre services revenue, on the basis that the upfront project fees are not a significant portion of each contract.

The Group enters into contracts with customers that guarantee certain performance measures such as uptime and on time delivery of services. If these guarantees of service performance are not achieved, the Group reduces revenue for any credits or cash payments that may be due to customers under contract. Key areas of estimation include the amount of the service credits, the likelihood that the service credits will be claimed, and the time period over which they impact revenue.

All revenue is stated net of the amount of goods and services tax (GST).

(iii) Interest Income

Interest income is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Interest income is recognised as interest accrues using the effective interest method.

(iv) Research and development rebates, and other government incentives

Research and development rebates and other government incentives are recognised on an accruals basis.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Government grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with costs that they are intended to compensate.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Claratti Group Limited**Notes to the Consolidated Financial Statements for the year ended 30 June 2022**

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to know amounts of cash, and which are subject to an insignificant risk of changes in value. Where there are bank overdrafts, for the statement of cash flows presentation purposes, these are included in cash and cash equivalents and are shown within borrowings in current liabilities on the consolidated statement of financial position.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30-90 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Contract assets

Contract assets are recognised when the consolidated entity has transferred goods or services to the customer but where the consolidated entity is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

Capitalised borrowing costs

Capitalised borrowing costs are capitalised as an asset where such costs are incidental to borrowing obligations and contracts entered into with a third party. Capitalised borrowing costs are amortised on a straight-line basis over the term of the contract.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date as well as any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

Property, plant, and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant, and equipment (excluding land) over their expected useful lives as follows:

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Plant and equipment	2.5 to 5 years
Vehicles	5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Claratti Group Limited

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Capitalised development costs

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, and direct labour. Other development expenditures that do not meet these criteria are recognised as an asset in a subsequent period.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period. All other intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

New products capitalised during FY22 are amortised using the straight-line method over a period of 5 years.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in profit or loss when the asset is derecognised

Amortisation of capitalised development costs

Claratti Group Ltd has assessed the accounting estimates of the amortisation of its Capitalised Development Costs. Claratti has determined that a straight-line basis in accordance with AASB 108 para. 40, is a more appropriate method rather than amortisation based on the revenue method. Accordingly, Capitalised Development Costs are amortised over a 10 year useful life as deemed appropriate by management.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Customer contracts

Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30-60 days of recognition depending on the supplier's credit terms.

Claratti Group Limited

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

Contract liabilities

Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Leases liabilities (the consolidated entity as lessee)

At inception of a contract, the Group assesses if the contract contains a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the Group. However, all contracts that are classified as short-term leases (lease with remaining lease term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options if lessee is reasonably certain to exercise the options; and
- payments if penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowing using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transactions will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests, for non-financial assets, fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs, and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired

The consideration transferred is the sum of the acquisition-date fair value of the assets transferred, equity instruments issued, or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the differences between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing

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fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquiree.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Income tax

The income tax or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Current Tax

Current tax assets are measured at the amounts expected to be recovered from the Australian Taxation Office.

Deferred Tax

Deferred income tax expense reflects the movements in deferred tax assets and deferred tax liability balances during the year as well as unutilised tax losses.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or tax profit and loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised, or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax asset or deferred tax liability is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax assets can be utilised. Tax losses have not been recognised in the current year.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Claratti Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses, and assets (excluding receivables) are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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Notes to the Consolidated Financial Statements for the year ended 30 June 2022

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New and Amended Accounting Standards

Changes in accounting policies

In the year ended 30 June 2022, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for the current reporting period.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2022. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group's business and, therefore, no change is necessary to the Group accounting policies.

New and amended accounting standards and interpretations have been published but are not mandatory. The Group has decided against early adoptions of these standards, and has determined the potential impact on the financial statements from the adoption of these standards and interpretations is not material to the Group.

2. Segment Information

Management has determined the operating segments based on the reports reviewed by the Board of directors that are used to make strategic decisions and in assessing performance and determining the allocation of resources. The entity does not have any operating segments with discrete financial information.

The Board of Directors review internal management reports on a monthly basis that is consistent with the information provided in the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position and Statement of Cash Flows. As a result, no reconciliation is required because the information as presented is what is used by the Board to make strategic decisions.

For the year ended 30 June 2022, all revenues and material assets are considered to be derived and held in one geographical area being Australia.

3. Revenue from contracts with customers

(a) Disaggregation of revenue from contracts with customers

The Group has disaggregated revenue into various categories in the following table which is intended to depict how the nature, amount, timing, and uncertainty of revenue and cashflows are affected by economic data. All of the revenue for the Group is derived at a point in time.

	2022	2021
	\$	\$
Product Categories:		
Cloud Services	1,034,789	819,222
General Sales	1,498,038	1,185,967
Managed Services	851,904	674,436
Telco Revenue	443,797	351,345
Voice Revenue	205,419	162,626
	4,033,947	3,193,595

(b) Operating segments

The Group operates in one geographic segment, being Australia.

4. Other Income and Expenses

	2022	2021
	\$	\$
OINC - Other Revenue R&D Rebates	1,350,626	1,489,380
JobKeeper Income	-	108,000
JobMaker Income	-	51,886
COVID-19 Cashflow Boost Income	-	50,000
Other Revenue	21,304	692
	1,371,930	1,699,958

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Notes to the Consolidated Financial Statements for the year ended 30 June 2022

	2022	2021
	\$	\$
Entertainment	6,043	2,288
Motor Vehicle	14,293	(11,851)
Rates & Licenses	-	2,024
Travel Expenses	23,790	(544)
Foreign exchange (gain)/loss	11,046	(241)
Administrative services / other	1,399	22,395
	56,571	14,071

5. Finance costs

	2022	2021
	\$	\$
Interest on Leases	35,086	13,973
Interest on Convertible Notes	128,644	8,580
Interest on Borrowings	6,000	149,388
Interest on Related Party Loans	45,460	-
ATO General Interest Charges	35,086	6,768
	239,430	178,709

6. Income Tax

	2022	2021
	\$	\$
(a) Income tax expense		
<i>Major component of tax expense for the year:</i>		
Current tax	(85,584)	(328,625)
Deferred tax	(57,742)	
	(143,326)	(328,625)

(b) Numerical reconciliation between aggregate tax expense recognised in the Statement of Profit or Loss and Other Comprehensive Income and tax expense calculated per the statutory income tax rate

A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Group's applicable tax rate is as follows:

Profit from operations before income tax expense	605,881	1,551,785
Tax at the Australian rate of 25% (2021: 26%)	151,470	403,464
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	(65,886)	(74,839)
Income tax expense	85,584	328,625
Movement in unrecognised temporary differences	57,742	42,274
Tax effect of current year tax losses for which no deferred tax asset has been recognised	(57,742)	(42,274)
Income tax expense	85,584	328,625
<i>Deferred Tax Liabilities (at 25%)</i>	939,121	881,379

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Notes to the Consolidated Financial Statements for the year ended 30 June 2022

7. Cash and Cash Equivalents

	2022	2021
	\$	\$
Reconciliation of Cash		
Cash comprises of:		
Cash at bank	24,631	25,345
Reconciliation of operating loss after tax to net cash flows from operations		
Profit after tax	520,297	1,223,160
Non-cash items		
Foreign exchange gain / (loss)	11,046	(241)
Amortisation	1,079,663	769,174
Depreciation	57,469	25,701
Capitalisation of R&D incentives	(3,104,888)	(2,982,388)
Equipment Leasing Costs	35,915	79,061
Finance Costs - net	239,430	178,709
Impairment of Receivable	-	81,933
Current tax expense	27,842	328,625
Deferred tax expense	57,742	541,383
Change in assets and liabilities		
(Decrease) / increase in trade and other receivables	(41,469)	(310,884)
Increase / (decrease) in trade and other payables	775,049	71,106
Net cash outflow from operating activities	(341,903)	5,339

8. Trade and Other Receivables

	2022	2021
	\$	\$
Trade Debtors	362,004	478,726
Research and development grants receivable	1,350,626	1,063,706
GST/VAT Receivable	219	26,110
Other Receivables	2	185,778
	1,712,851	1,754,320

(i) Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 14 days and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

(ii) Transferred receivables

The carrying amounts of research and development grants receivable includes an amount of \$914,929 which is subject to a factoring arrangement. Under this arrangement, the Group has transferred the relevant receivable to the factor in exchange for cash and is prevented from selling or pledging the receivable. However, the Group has retained late payment and credit risk. The Group therefore continues to recognise the transferred assets in their entirety in its balance sheet. The amount repayable under the factoring agreement is presented as secured borrowing. The group considers that the held to collect business model remains appropriate for these receivables and hence continues measuring them at amortised cost.

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Notes to the Consolidated Financial Statements for the year ended 30 June 2022

The relevant carrying amounts are as follows:	June 2022	June 2021
	\$	\$
Transferred receivables	1,363,371	548,688
Associated secured borrowing (loan payable - see note 17(i))	1,363,371	548,688

Management considers that in substance the factor collects the amounts receivable on the Group's behalf and retains the cash in settlement of the separate financing transaction. The Group therefore presents the cash flows received from the financier as financing cash inflows and the subsequent payments by the debtor as both operating cash inflows and financing cash outflows.

(iii) Fair values of trade and other receivables

Due to the short-term nature of the trade and other receivables, their carrying amount is considered to be the same as their fair value.

(iv) Impairment and risk exposure

Customer credit risk is managed subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit evaluations are performed on all customers. Outstanding customer receivables are monitored regularly.

The Group applies a simplified approach in providing for expected credit losses, in accordance with AASB 9. To measure the expected credit loss, receivables have been grouped based on days overdue. The methodology applied in estimating expected credit losses below is consistent with that applied for the year ended 30 June 2021.

The loss allowance provision as at 30 June 2022 and 30 June 2021 is determined as follows:

	Current	0 to 30 days past due	31 to 60 days past due	More than 60 days past due	Total
30 June 2022	\$	\$	\$	\$	\$
Expected loss rate	0%	0%	0%	0%	0%
Gross carrying amount	305,078	25,712	18,140	13,075	362,004
Loss allowance provision	-	-	-	-	-
Net receivables	305,078	25,712	18,140	13,075	362,004
30 June 2021	\$	\$	\$	\$	\$
Expected loss rate	0%	0%	0%	0%	0%
Gross carrying amount	393,818	35,004	16,886	33,018	478,726
Loss allowance provision	-	-	-	-	-
Net receivables	393,818	35,004	16,886	33,018	478,726

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Notes to the Consolidated Financial Statements for the year ended 30 June 2022

9. Other current assets

	2022	2021
	\$	\$
Prepays - Rental Bonds	7,316	7,316
Salary Sacrifice	2,397	
Borrowing Costs	7,004	3,309
	16,717	10,625

Other receivables are amounts that generally arise from transactions outside the usual operating activities of the Group. Prepaid rental bonds relate to the Groups property lease in Malaga WA and capitalised borrowing costs relate to costs incurred for financing to be amortised over the life of the loan.

10. Plant and Equipment

	2022	2021
	\$	\$
Opening balance	5,268	37,928
Additions	-	(6,959)
Transferred to right-of-use asset depreciation	-	(20,432)
Disposals	-	-
Depreciation charge for the year	(5,268)	(5,269)
Closing balance	-	5,268

Property, plant and equipment is recognised at historical cost less depreciation. Depreciation is calculated using the straight-line method to allocate the cost or revalued amounts of the assets, net of their residual values, over their estimated useful lives.

11. Intangibles

	2022	2021
	\$	\$
Opening balance	10,961,728	6,994,327
Additions	3,162,129	5,006,888
Disposals	-	-
Amortisation charge for the year	(1,079,663)	(769,174)
Closing balance	13,044,194	10,961,728

(a) IT Infrastructure Asset

On 31 May 2019, the Company revalued its IT Infrastructure Assets that were previously carried at cost less accumulated amortisation and accumulated impairment losses. The IT Infrastructure Assets have been subject to impairment testing. If an impairment indicator arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

(b) Development costs

Development costs are carried at cost less accumulated amortisation and accumulated impairment losses. The net development costs has been subject to impairment testing. If an impairment indicator arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

(c) Impairment

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Notes to the Consolidated Financial Statements for the year ended 30 June 2022

The board have determined that the underlying assumptions supporting the future economic benefit from the intangible assets were sufficient. As a result, the board has not impaired these assets (2021: nil).

12. Goodwill

	2022	2021
	\$	\$
Goodwill - StormIS	350,000	150,000
Goodwill - Red Z	90,000	90,000
Goodwill - Cloud DC Ltd	25,000	25,000
	465,000	265,000

(i) Impairment tests for goodwill

Goodwill is monitored by management at the level of the operating segments identified in note 2.

(ii) Significant estimate: key assumptions used for value-in-use calculations

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2022 and 2021 reporting periods, the recoverable amount of the cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a three-year period.

Cash flow beyond the three-year period are extrapolated using estimated growth rates. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

13. Trade and Other Payables

	2022	2021
	\$	\$
Trade creditors	803,477	820,328
Accruals / Sundry Creditors	1,137,227	143,895
Employee Payables	239,789	308,572
Tax Liabilities/(Receivables)	871,148	832,996
GST Liability	96,057	41,060
	3,147,698	2,146,851

Trade payables are unsecured and are usually paid within 30 days of recognition.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

14. Provisions

	2022	2021
	\$	\$
Employee Provisions	215,370	215,370
	215,370	215,370

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. The Group expects all employees to take the full amount of accrued leave or require payment within the next 12 months.

Claratti Group Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2022

15. Leases

	June 2022 \$	June 2021 \$
Current		
Right-of-use assets		
Equipment	200,486	108,064
Accumulated depreciation	(67,364)	(20,432)
	133,122	87,632
Lease Liabilities		
Current	82,900	70,765
Non-current	101,221	61,148
	184,121	131,913
Amounts recognised in the statement of profit or loss		
The statement of profit or loss shows the following amounts relating to leases:		
	June 2022 \$	June 2021 \$
Depreciation charge of right-of-use assets		
Equipment	46,932	20,432
Finance costs		
Interest expense	24,240	5,889

Lease are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including on-substance fixed payments).

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Claratti Group Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2022

16. Convertible Notes

	June 2022 \$	June 2021 \$
329,500 (2021: 329,500) convertible notes	451,945	422,008
Interest accrued	35,086	29,937
	487,031	451,945
At the beginning of reporting period	451,945	422,008
Notes issued	-	-
Notes redeemed	-	-
Interest accrued	35,086	29,937
Interest paid	-	-
Note issue costs	-	-
Note issue costs amortised	-	-
At reporting date	487,031	451,945

On 30 May 2019, the Company issued 5,283,333 convertible notes at an issue price of \$0.06 raising \$317,000 before costs. The convertible notes accrue interest at 7.5% per annum are payable quarterly in arrears. The convertible notes are unsecured and matured on 30 May 2022 and were subsequently extension via a deed of variation. The redemption terms of the convertible notes is at the sole discretion of the Company.

On 27 September 2019, the Company issued 208,333 convertible notes at an issue price of \$0.06 raising \$12,500 before costs. The convertible notes accrue interest at 7.5% per annum are payable until such time that the amount can be repaid or converted to equity. The convertible notes are unsecured and matured on 30 May 2022 and were subsequently extension via a deed of variation. The redemption terms of the convertible notes is at the sole discretion of the Company.

17. Borrowings

	June 2022 \$	June 2021 \$
Current		
Secured		
Bank overdrafts	-	81,255
Loans payable	1,363,371	548,688
Total secured borrowings	1,363,371	629,943
Unsecured		
Loans from related parties	313,000	373,000
Loans payable	42,500	42,500
Total unsecured borrowings	355,500	415,500
Total borrowings - current	1,718,871	1,045,443

Claratti Group Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2022

	June 2022	June 2021
	\$	\$
Non-current		
Secured		
Bank overdrafts	-	-
Bank loans	-	-
Total secured borrowings	-	-
Unsecured		
Loans from related parties	505,275	407,113
Loans payable	385,000	107,500
Total unsecured borrowings	890,275	514,613
Total borrowings - non-current	890,275	514,613

(i) Secured liabilities and assets pledged as security

The Group has a \$914,929 secured loan payable, which relates to the transfer of research and development grants receivable (see note 8(ii)). The amount is secured against the Groups research and development grant, which is expected to be receivable in September 2022.

(ii) The following loans were provided by related parties of the Group in previous financial years:

- During the 2020 period, the Bartle Family Trust provided the Group with interest free loans totalling \$292,500.
- During the 2020 and 2022 period, the Childress Family Trust provided the Group with interest free loans totalling \$190,755.
- During the 2020 and 2022 period, Mr. Bartle provided the Group with interest free loans totalling \$213,000.

(iii) Loans payable to third parties is for research and development activities and working capital purposes. The terms of the finance arrangements are as follows:

Loan terms	Loan #1	Loan #2	Loan #3	Loan #4
Amount financed	914,929	200,000	150,000	117,271
Commencement date	25/10/2021	15/06/2022	17/05/2022	25/04/2022
Monthly repayments	-	\$3,300	\$7,934	\$10,740
Finance term	12 Months	6 Months	26 Months	12 Months
Interest rate	14.00%	36.00%	26.59%	9.89%

Claratti Group Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2022

18. Issued Capital

	June 2022 \$	June 2021 \$
(a) Issued and paid up capital		
Ordinary shares fully paid	3,179,207	3,179,207

	2022		2021	
	Number	\$	Number	\$
(b) Movements in shares on issue				
Opening balance	10,337,599	3,179,207	-	-
Anand Chinnaswamy	-	-	7,188	3,666
Brittany Hines	-	-	2,604	1,328
Childress Investments Pty Ltd - ACN 166 554 794 ATF Childress Family Trust	-	-	3,619,959	612,914
Craig Douglas Pentland	-	-	20,000	10,000
Dixie Kerry Bartle, John Rothan Bartle and Chuck Rothan Bartle ATF Bartle Super Fund	-	-	23,044	10,600
Kishorekumar Ramasamy	-	-	2,322	1,184
Nithya Selvaraj	-	-	106,708	53,354
Noralee Pty Ltd - ACN 009 422 913 ATF Shackleton Family	-	-	162,500	2,500
Peter Blakeley and Shalley Blakeley ATF P & S Blakeley Superfund	-	-	195,771	182,546
Selvakumar Sengotaiyan	-	-	7,471	3,810
Taplan Pty Ltd - ACN 055 728 740 ATF Bartle Family Trust	-	-	2,741,570	538,589
Gregory Lee ATF Petrotech Consulting Trust	-	-	98,038	50,000
Redbrick WA Pty Ltd - ACN 153 555 054 ATF Nayler Wray Family Trust	-	-	784,314	400,000
Nickalko Pty Limited - ACN 644 347 615 ATF Kouluka Family Trust	-	-	161,765	82,500
Stephen Andrew Knights ATF Knights Family Trust	(916,666)	(467,500)	916,666	467,500
Christopher Louw ATF Veracity Abode Investment Trust	-	-	156,074	79,598
Dennis Banks and Janine Banks ATF Banks Superannuation Funds	9,608	6,736	980,392	500,000
Closing balance	9,430,541	2,718,443	10,337,599	3,179,207

(c) Ordinary shares

The Group does not have authorised capital nor par value in respect of its issued capital. Ordinary shares have the right to receive dividends as declared and, in the event of a winding up of the Group, to participate in the proceeds from sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or proxy, at a meeting of the Group.

Claratti Group Limited**Notes to the Consolidated Financial Statements for the year ended 30 June 2022****(d) Share Options**

There were 1,500,000 unissued shares under options in the group. The options have an exercise price of \$3.50 and an expiry date of 15 April 2025. The option holders do not have any rights to dividend, voting rights or the right to participate in any share issue of the group.

(e) Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Capital is regarded as equity, as recognised in the statement of financial position, plus cash and cash equivalents. The capital risk management policy remains unchanged from the prior year.

19. Reserves

	June 2022	June 2021
	\$	\$
Asset revaluation reserve	2,800,818	2,800,818
	2,800,818	2,800,818
Movements in Reserves		
<i>Asset revaluation reserve</i>		
Opening balance	2,800,818	2,800,818
Revaluation	353,696	-
Closing balance	3,154,514	2,800,818

The asset revaluation reserve is used to record the movements arising from the revaluation of the Group's IT Infrastructure Assets as classified as intangibles in the statement of financial position.

20. Retained earnings

	June 2022	June 2021
	\$	\$
Movements in retained earnings were as follows:		
Opening balance	1,420,775	197,615
Profit for the year	520,297	1,223,160
Closing balance	1,941,072	1,420,775

21. Auditor's Remuneration

	June 2022	June 2021
	\$	\$
The auditor of Claratti Limited is DM Advisory Services		
Amounts were paid or payable for:		
- an audit or review of the financial statements of the entity and any other entity in the Consolidated group	10,250	10,250

Claratti Group Limited**Notes to the Consolidated Financial Statements for the year ended 30 June 2022**

22. Earnings per Share	June 2022	June 2021
	\$	\$
Profit used in calculating basic Earnings per share	520,297	1,223,160

	Number of Shares	
Weighted average number of ordinary shares used in calculating basic earnings per share:	9,512,834	10,337,599

Basic and diluted earnings per share (cents per share)	0.0547	0.1183
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There are no potential ordinary shares that are dilutive, therefore none are included in the calculation of diluted earnings per share.

23. Related Party Disclosures**(a) Key management personnel**

Details of the nature and amount of each element of the emolument of each Director and Executive of the Group for the financial year are as follows:

	June 2022	June 2021
	\$	\$
Short term employee benefits	590,453	356,500
Total remuneration	590,453	356,500

(b) Other transactions with related parties

The following transactions occurred with related parties:

	June 2022	June 2021
	\$	\$
<i>Sales and purchases of goods and services</i>		
Sale of goods and services to entities controlled by key management personnel	64,054	64,231
Purchases of professional services from entities controlled by key management personnel	258,770	69,971
	322,824	134,202

The Childress Family Trust, a entity of which Mr. Childress is a director, provided the Group with consulting services totalling \$25,381 (2021: \$20,623). \$nil (2021: \$nil) was outstanding at year-end.

4C Consulting Pty Ltd, a entity of which Mr. Pentland is a director, received cloud workspace services from the Group totalling \$64,054 (2021: \$64,231). \$nil (2021: \$7,342) was receivable at year-end. The entity also provided the Group with accounting, bookkeeping and tax services totalling \$233,389 (2021: \$49,348). \$42,557 (2021: \$13,680) was outstanding at year-end.

On 26 June 2020, the Company issued 3,619,959 fully paid ordinary shares at \$0.17 a share to an entity controlled by Mr. Childress, 23,044 fully paid ordinary shares at \$0.17 a share to Mr. Bartle and his associates, 2,741,570 fully paid ordinary shares at \$0.20 a share to an entity controlled by Mr. Bartle, and 20,000 fully paid ordinary shares at \$0.17 a share to Mr. Pentland.

On 30 June 2020, the Company issued 351,213 fully paid ordinary shares at \$0.51 a share to an entity controlled by Mr. Childress.

These transactions have been entered into on normal commercial terms.

June	June
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2022	2021
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Claratti Group Limited**Notes to the Consolidated Financial Statements for the year ended 30 June 2022****(c) Loans from Directors and Executives**

<i>Loans from related parties</i>	\$	\$
Beginning of the year	780,113	691,277
Debt to equity swap	-	200,000
Loan drawdown received	98,162	-
Loan repayments	(60,000)	(111,164)
Interest charged	-	-
Loss allowance	-	-
End of year	818,275	780,113

All other transactions were made with no interest payable on related party loans. Outstanding balances are unsecured and are repayable in cash.

2022	Short term		Post-employment		Total
	Base Salary	Other	Superannuation	Benefits	
	\$	\$	\$	\$	\$
Executive Director					
Mr. Childress	316,859	-	20,260	-	337,119
Directors					
Mr. Bartle	126,667	-	-	-	126,667
Mr. Pentland - Company Secretary	126,667	-	-	-	126,667
	570,193	-	20,260	-	590,453

2021	Short term		Post-employment		Total
	Base Salary	Other	Superannuation	Benefits	
	\$	\$	\$	\$	\$
Executive Director					
Mr. Childress	215,000	-	21,500	-	236,500
Directors					
Mr. Bartle	60,000	-	-	-	60,000
Mr. Pentland - Company Secretary	60,000	-	-	-	60,000
	335,000	-	21,500	-	356,500

24. Interests in Other Entities**(a) Subsidiaries**

The Group's principal subsidiaries as at 30 June 2022 and 30 June 2021 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of Entity	Country of Incorporation	Equity Holding		Principal activities
		2022	2021	
Intelligent IP Hosting Pty Ltd	Australia	100%	100%	IT Services and Cloud Based Solutions
StormIS Pty Ltd	Australia	100%	100%	IT Services and Cloud Based Solutions
Commulynx Pty Ltd	Australia	100%	100%	IT Services and Cloud Based Solutions

Claratti Group Limited

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

25. Financial Risk Management

Exposure to interest rate, liquidity and credit risk arises in the normal course of the Group's business. The Group does not hold or issue derivative financial instruments.

The Group uses different methods as discussed below to manage risks that arise from these financial instruments. The objective is to support the delivery of the financial targets while protecting future financial security.

(a) Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities.

The Group manages liquidity risk by maintaining sufficient cash facilities to meet the operating requirements of the business and investing excess funds in highly liquid short term investments. The responsibility for liquidity risk management rests with the Board of Directors. Alternatives for sourcing our future capital needs include our cash position and the issue of equity instruments. These alternatives are evaluated to determine the optimal mix of capital resources for our capital needs. We expect that, absent a material adverse change in a combination of our sources of liquidity, present levels of liquidity along with future capital raising will be adequate to meet our expected capital needs.

Below is a maturity analysis of undiscounted financial liabilities:

2022	Carrying amount	Less than 1 year	1 year to 5 years	More than 5 years	Total contractual cash flows
	\$	\$	\$	\$	\$
Trade and other payables	3,147,698	3,147,698	-	-	3,147,698
Lease liabilities	184,121	82,900	101,221	-	184,121
Convertible notes	487,031	487,031	-	-	487,031
Borrowings	2,609,146	1,718,871	890,275	-	2,609,146
2021	Carrying amount	Less than 1 year	1 year to 5 years	More than 5 years	Total contractual cash flows
	\$	\$	\$	\$	\$
Trade and other payables	2,146,851	2,146,851	-	-	2,146,851
Lease liabilities	131,913	70,765	61,148	-	131,913
Convertible notes	451,945	451,945	-	-	451,945
Borrowings	1,560,056	1,045,443	514,613	-	1,560,056

Maturity analysis for financial liabilities

Financial liabilities of the Group comprise trade and other payables, lease liabilities and borrowings. As at 30 June 2022 and 30 June 2021 all trade and other payables are contractually matured within 30 days and so the carrying value equals the contractual cash flows. The fair value of lease liabilities and borrowings are based on nominal amounts within the agreements and no assumptions have been used to determine the present value of the future payments based on a discount rate as the amounts are deemed insignificant. The principal payments are contractually required in Australian dollars.

Claratti Group Limited

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

(b) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The Group's exposure to market risk for changes to interest rate risk relates primarily to its earnings on cash and term deposits. The Group manages the risk by investing in short term deposits.

	June 2022 \$	June 2021 \$
Cash and cash equivalents	24,631	25,345

Financial liabilities:

2022	Floating interest rate \$	Fixed interest rate maturing in 1 year or less \$	Fixed interest rate maturing greater than 1 year \$	Non- interest bearing \$	Total \$
Lease liabilities	-	-	184,121	-	184,121
Convertible notes	-	487,031	-	-	487,031
Borrowings	-	1,405,871	385,000	818,275	2,609,146

2021	Floating interest rate \$	Fixed interest rate maturing in 1 year or less \$	Fixed interest rate maturing greater than 1 year \$	Non- interest bearing \$	Total \$
Lease liabilities	-	-	131,913	-	131,913
Convertible notes	-	451,945	-	-	451,945
Borrowings	-	672,443	107,500	780,113	1,560,056

Interest rate sensitivity

The following table demonstrates the sensitivity of the Group's statement of profit or loss and other comprehensive income to a reasonably possible change in interest rates, with all other variables constant.

Judgements of reasonably possible movements	Effect on Pre-Tax Earnings	
	Increase/(Decrease)	
	2022	2021
Increase 100 basis points	2,463	2,535
Decrease 100 basis points	(2,463)	(2,535)

A sensitivity of 100 basis points has been used as this is considered reasonable given the current level of both short term and long-term Australian Dollar interest rates. The change in basis points is derived from a review of historical movements and management's judgement of future trends.

(c) Credit Risk Exposures

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge and obligation and cause the Group to incur a financial loss. The Group is exposed to credit risk from financial institutions where cash is held and from debtors, in particular from those arising from transactions in foreign jurisdictions. The Group's cash and cash equivalents as at 30 June 2022 is substantially held by one reputable Australian banking financial institution.

Claratti Group Limited

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

(d) Fair Value Measurement

The following tables detail the Group's assets and liabilities measured or disclosed at fair value using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Unobservable inputs for the asset or liability

	Level 1	Level 2	Level 3	Total
Consolidated - 2022	\$	\$	\$	\$
<i>Liabilities</i>				
Lease liabilities	-	184,121	-	184,121
Convertible notes	-	487,031	-	487,031
Borrowings	-	2,609,146	-	2,609,146
Total liabilities	-	3,280,298	-	3,280,298

	Level 1	Level 2	Level 3	Total
Consolidated - 2021	\$	\$	\$	\$
<i>Liabilities</i>				
Lease liabilities	-	131,913	-	131,913
Convertible notes	-	451,945	-	451,945
Borrowings	-	1,560,056	-	1,560,056
Total liabilities	-	2,143,914	-	2,143,914

There were no transfers between levels during the financial year.

Non-recurring fair value measurements

There were no financial assets or liabilities at 30 June 2022 requiring fair value estimation and disclosure, their carrying values approximate fair value.

(e) Foreign Currency Risk

Currency risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The Group does not have any material exposure to foreign currency risk.

26. Business Combinations

No businesses were acquired during the year.

27. Contingent Liabilities

There are no known contingent liabilities.

28. Commitments

There are no Known commitments

29. Events Subsequent to Reporting Date

There were no known significant events from the end of the financial year up to the date of this report.

Claratti Group Limited
Notes to the Consolidated Financial Statements for the year ended 30 June 2022

30. Dividends

No dividend was paid or declared by the Group in the period since the end of the financial year and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend for the financial year.

31. Parent Entity Information

	June 2022	June 2021
	\$	\$
Current assets	-	-
Total assets	15,396,515	13,109,918
Current liabilities	-	-
Total liabilities	7,582,486	5,709,118
Net Assets / (Liabilities)	7,814,029	7,400,800
Issued capital	2,718,443	3,179,207
Reserves	3,154,514	2,800,818
Retained earnings	1,941,072	1,420,775
Total Equity	7,814,029	7,400,800
Profit or loss of the parent entity	-	-
Other comprehensive income or loss for the year	-	-
Total comprehensive income or loss of the parent entity	-	-

Directors' Declaration

In accordance with a resolution of the Directors of Claratti Group Limited, I state that:

1. In the opinion of the directors:
 - a) the financial statements and notes of Claratti Group Limited for the year ended 30 June 2022 are in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the consolidated financial position as at 30 June 2022 and of its performance for the year ended on that date; and
 - ii. Complying with Accounting Standards (including the Australian Accounting Interpretations), Corporations Regulations 2001 and other mandatory professional reporting requirements.
 - b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1.
2. There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
3. This declaration has been made after receiving the declarations required to be made by the Director's in accordance with sections of 295A of the Corporations Act 2001 for the financial year 30 June 2022.

On behalf of the Board

DocuSigned by:

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Mr. Doug Childress
Executive Chairman
7 November 2022
Perth, Western Australia



**AUDITOR'S INDEPENDENCE DECLARATION UNDER
SECTION 307C OF THE CORPORATIONS ACT 2001**

TO THE DIRECTORS OF ORH LTD

As lead auditor for the audit of Claratti Group Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief during the year ended 30 June 2022 there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Claratti Group Limited and its controlled entities during the period.

DM Advisory Services

DM Advisory Services

David Makowa

David Makowa
Principal

Perth WA, 7 November 2022



INDEPENDENT AUDITORS REPORT

TO THE MEMBERS OF CLARATTI LTD

In our opinion:

The accompanying financial report of Claratti Group Limited (the Company) and its subsidiaries (the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) Giving a true and fair view of the Company's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- (b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Consolidated Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2022,
- the consolidated statement of profit or loss and other comprehensive income for the year then ended,
- the consolidated statement of changes in equity for the year then ended,
- the consolidated statement of cash flows for the year then ended,
- the notes to the financial statements, which include a summary of significant accounting policies, and
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2022 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

DM Advisory Services

DM Advisory Services

David Makowa

David Makowa
Principal

Perth WA, 7 November 2022